

# Financially Solid

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# Measuring TVA's Financial Health

**Debt Reduction**

**Operating Cost**

**Interest Coverage**

**Debt Burden**

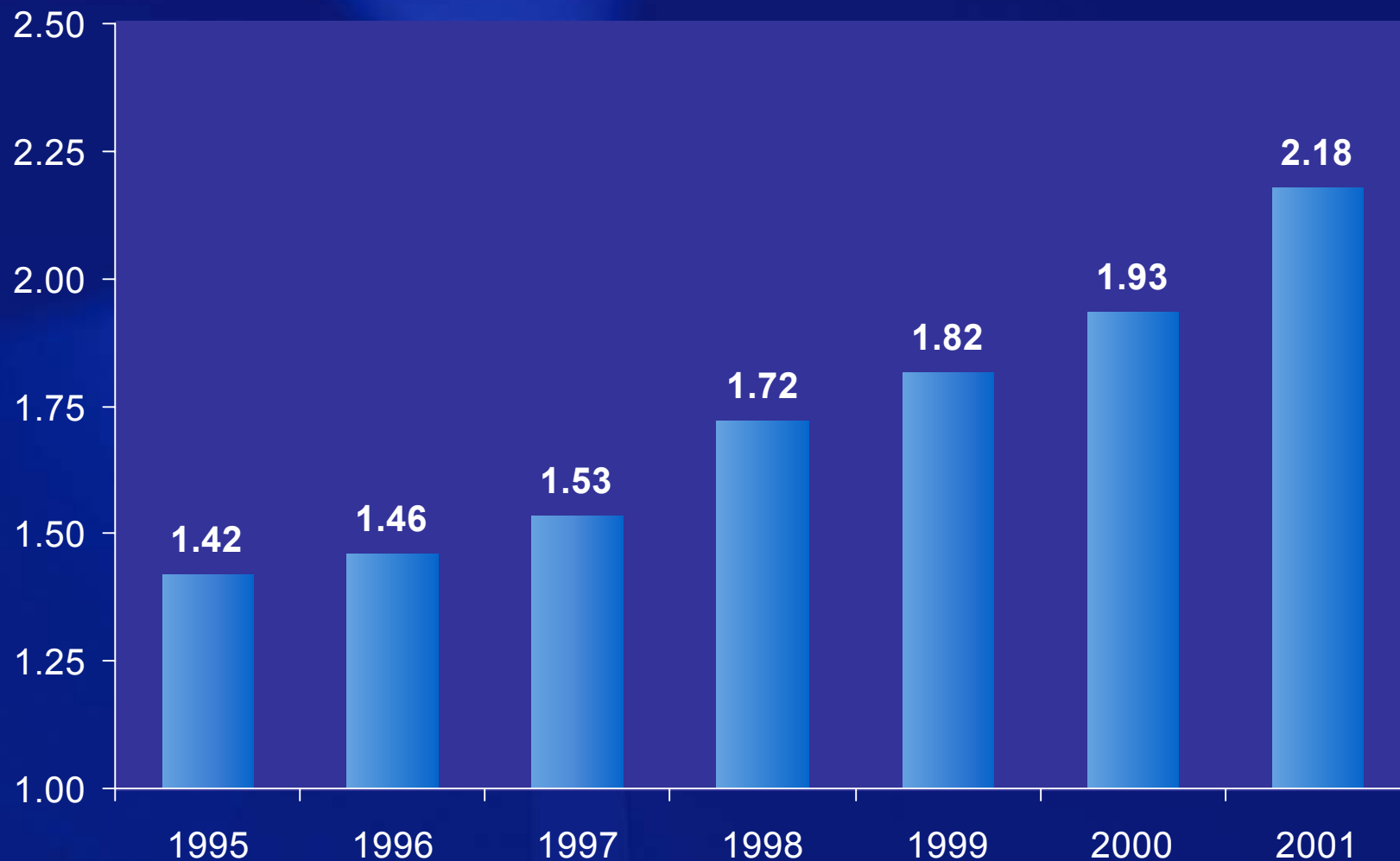
**Market Value  
Capitalization  
Comparison**

**Cash Flow**

**Comparative  
Capital  
Structures**

# Improving Interest Coverage

(times interest earned)



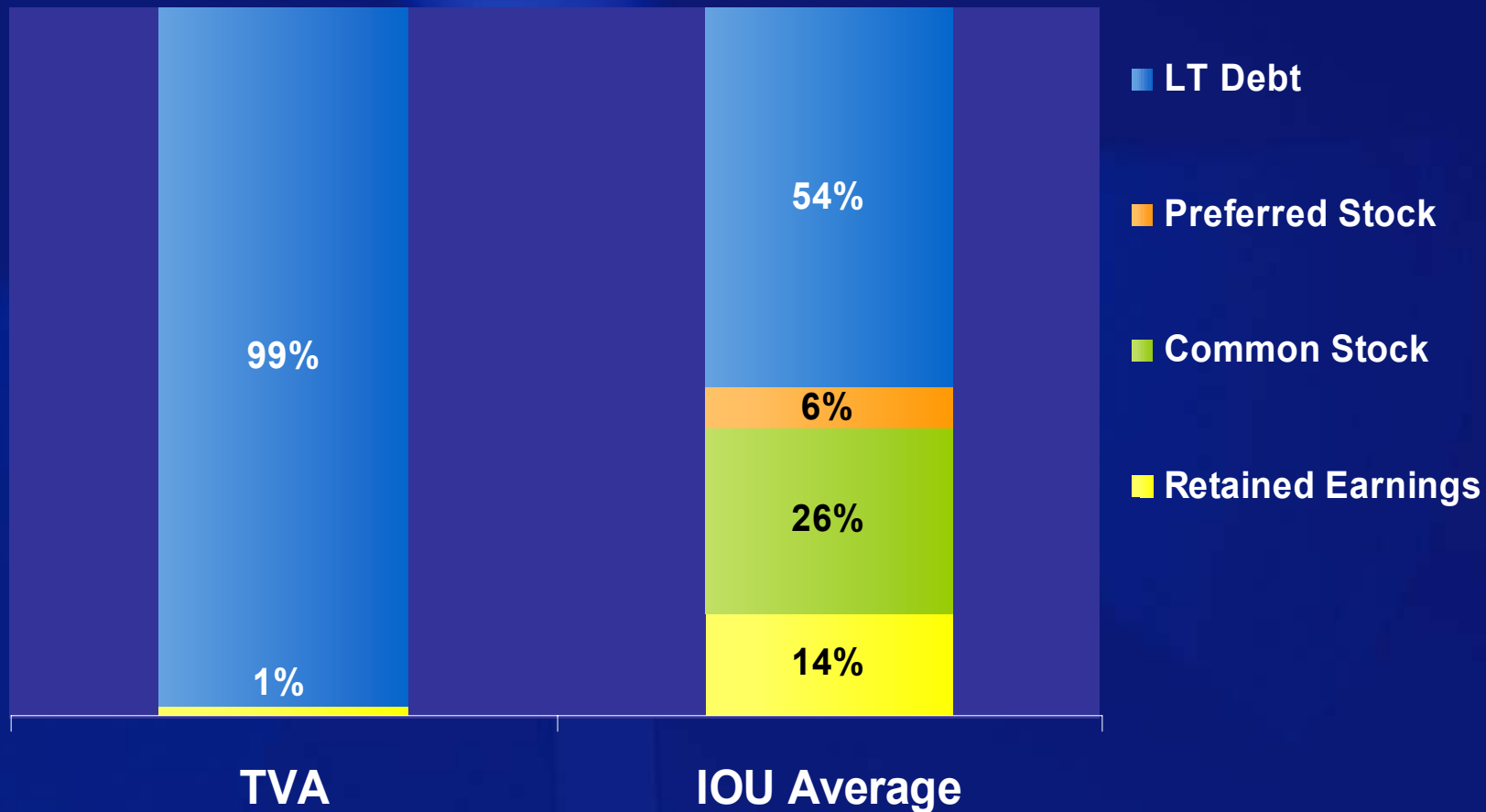
# Cash Flow from Operations after Interest Expense

(\$ in millions)



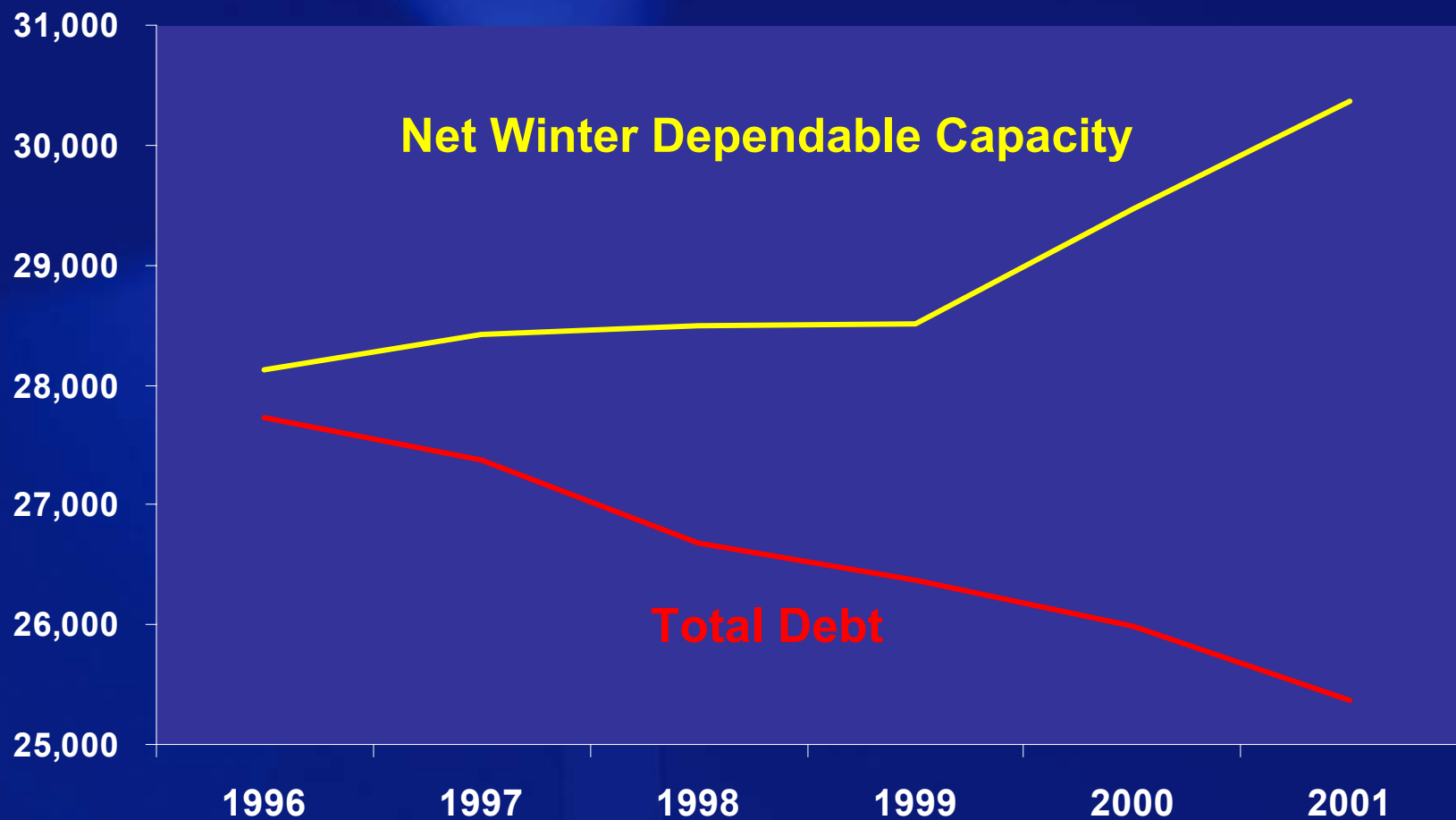
# Comparative Capital Structures

TVA Compared to the Average Investor-Owned Utility



# Debt Decreases While Capacity Increases

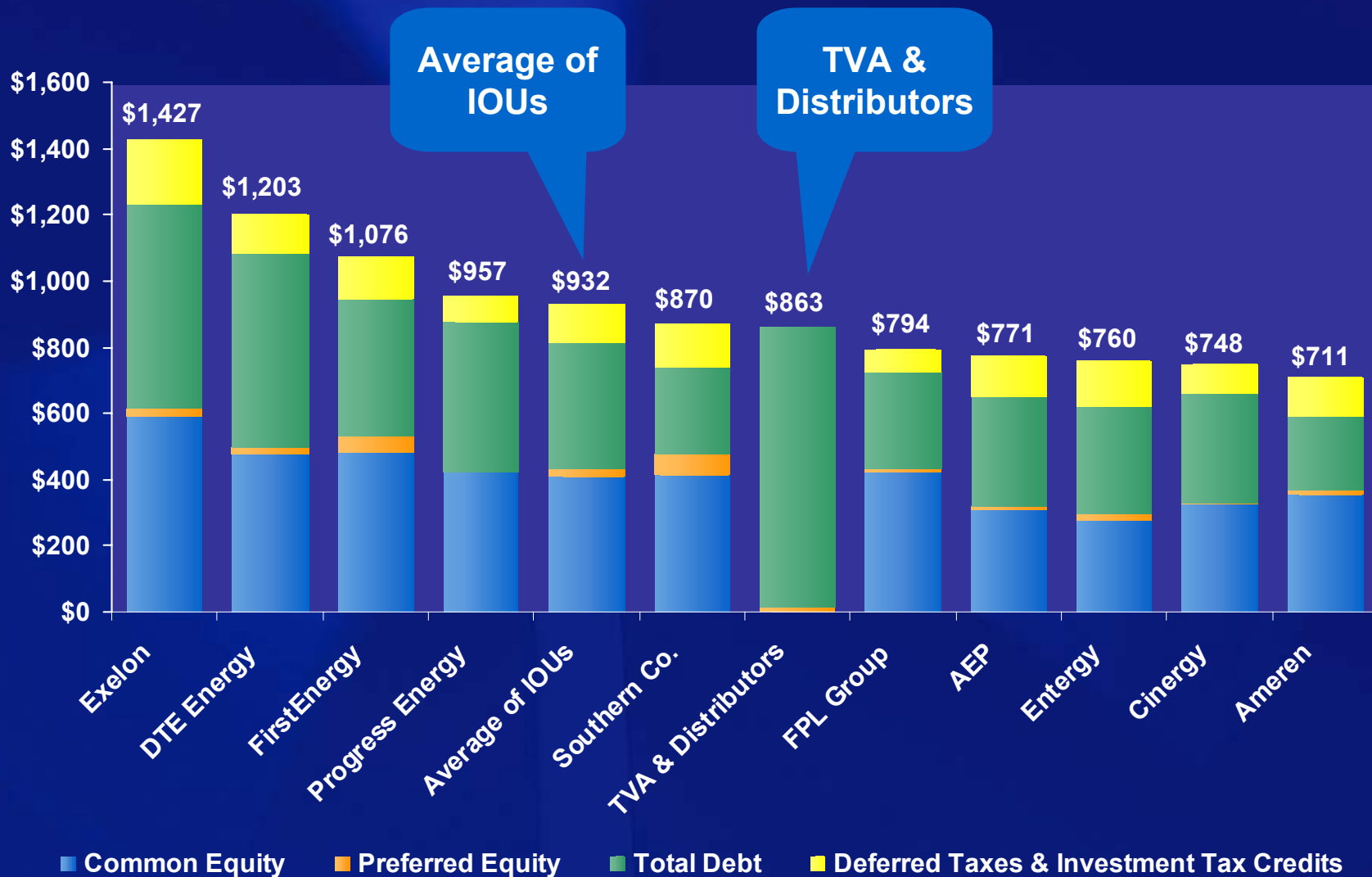
megawatts or  
\$ millions



# Total Debt per Kilowatt of Capacity



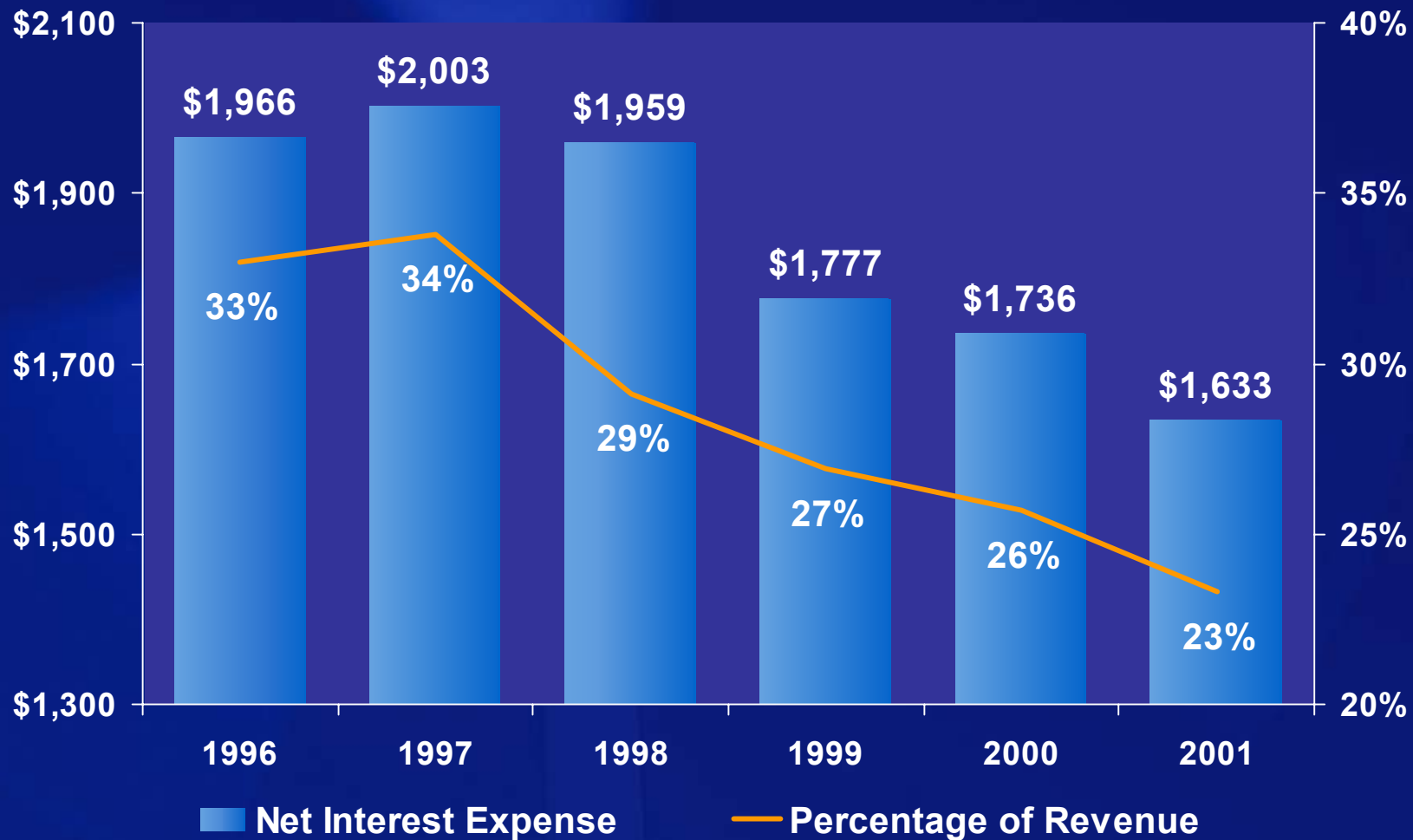
# Market Value Capitalization per Kilowatt of Installed Nameplate Capacity





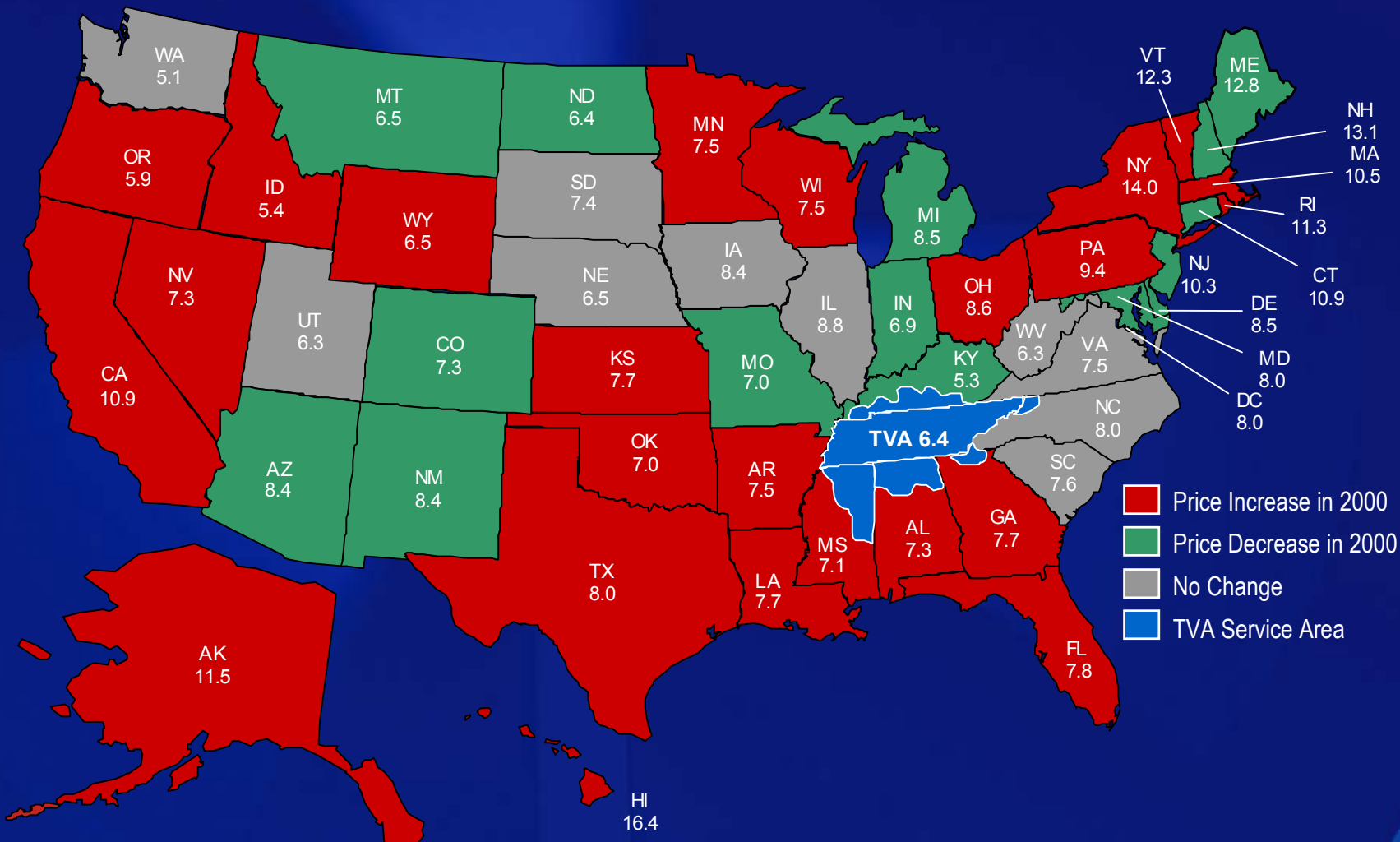
# Net Interest Expense as a Percentage of Revenues

(\$ in millions)



# 2000 Average Residential Electricity Price Comparison

(cents per kWh)



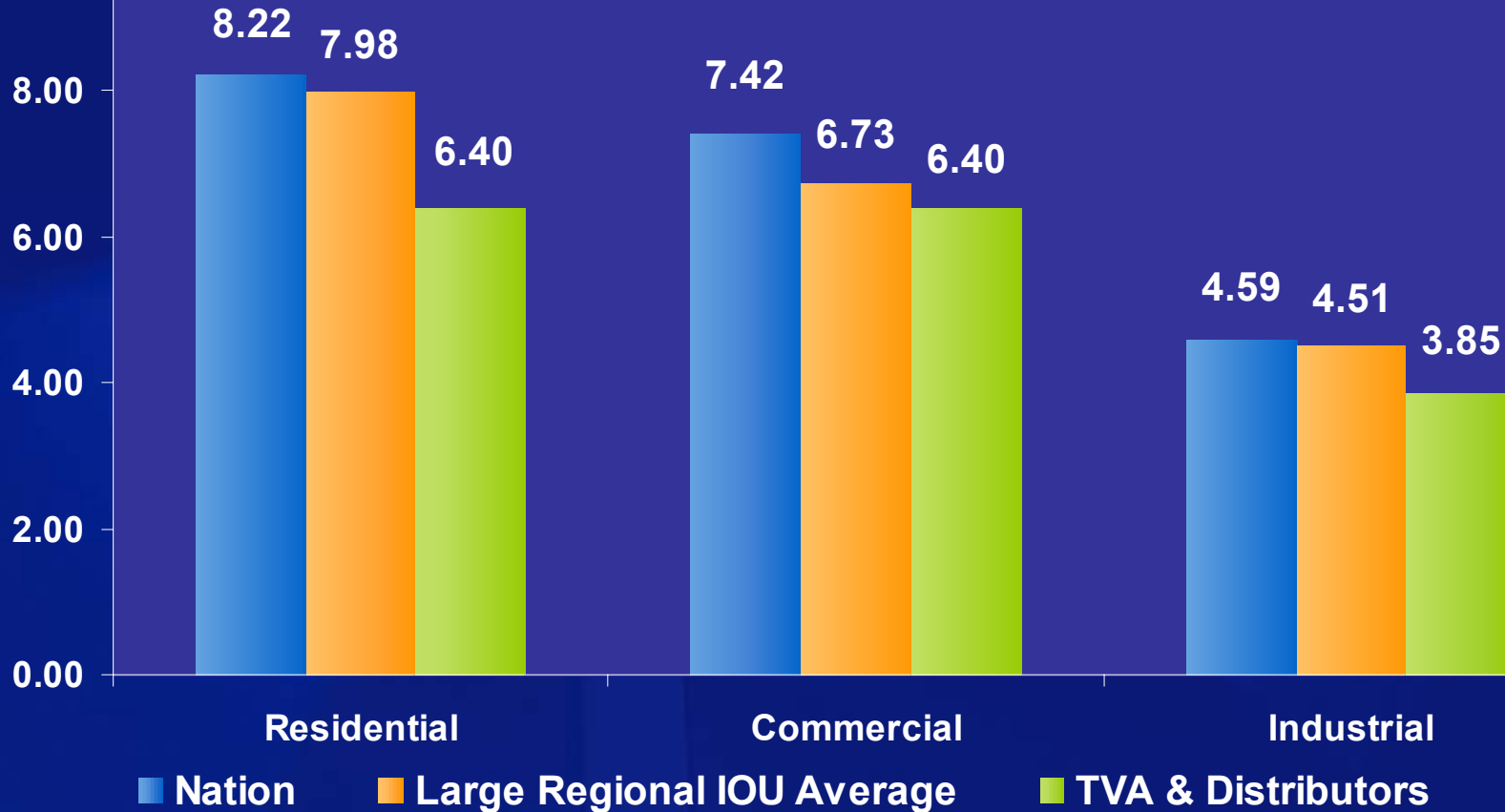
Sources: Energy Information Administration (EIA); RDI PowerDat - January 2002

Note: Average price displayed in states partially in the TVA service area reflect average prices outside of the TVA service area.

# 2000 Average Price Comparison

(cents per kWh)

10.00



Source: RDI PowerDat - January 2002





Financially Solid Today...  
*and* Tomorrow

# Financially Solid Today... *and* Tomorrow

- Managing Risk

# TVA Risk Management

## Trading Function

### Front Office

Bulk Power Trading  
Fuels Group

Traders

Contract Admin  
Marketing Strategy  
Deal Capture

### Middle Office

Risk Management

Mark-to-Market  
Forward Prices  
Risk Assessment  
Hedging Strategy

### Back Office

Accounting

Accounts  
Payable/Receivable  
General Ledger  
Reconciliation

Independent Monitoring and Testing

# Financially Solid Today... *and* Tomorrow

- Managing Risk
- Reducing Asset Carrying Values

# Financially Solid Today... *and Tomorrow*

- Managing Risk
- Reducing Asset Carrying Values
- Pursuing Flexible Financing Arrangements



**TVA**

Financially Solid